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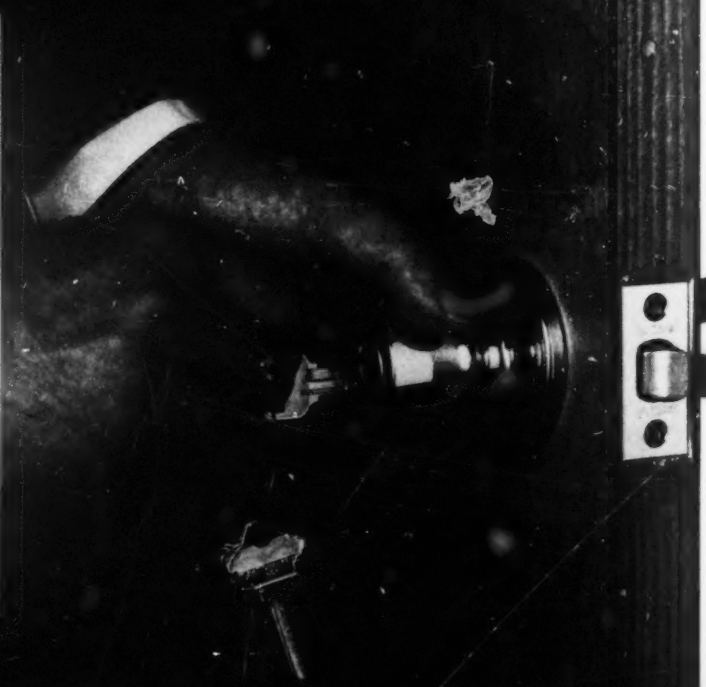
Opening the door to office productivity



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Product listing:
What's new in fax, ETs, copiers

PW survey:
Prices steady

NOMDA show:
Stiff foreign competition seen

CBEMA reports:
Computer prices still tumbling

Hedging your commodity bets • Buyers' review
National transportation policy needed • Paying for imports

CONTENTS

October, 1989 Vol. 33, No. 10

COVER STORY

26 Opening the door to office productivity
PurchasingWorld charts the changes in copiers, fax machines and electronic typewriters—as well as the way they're marketed—in this annual look at office equipment.

36 Office equipment suppliers see steady demand
According to the Computer and Business Equipment Manufacturers Association, demand for office machines will roll along through 1990, with the only real disappointment coming in computer purchases.

38 Fax makers, foreign influence apparent
According to our reporter, the most significant presence at the recent National Office Machine Dealers Association show was fax machinery—in many manifestations.

40 Buyers' market in office equipment
Vendors must compete hard for the office buyer's dollar, according to our survey of the month—and that situation isn't likely to change soon.

Coming next month...
Domino's Pizza has not only been an innovative marketer, PW finds that it also has become an innovative packager. In another PW exclusive, Data Resources Inc. looks at the economy out to 1991.

Office equipment is bringing greater productivity to the workplace. ***Page 26***

Fax machines were the dominant force at the 1989 NOMDA show. ***Page 38***

FEATURES

44 Risk management—a powerful tool
According to a financial risk expert, the purchasing function can be more disciplined and predictable—and productive--by getting involved in commodities hedging.

44 Stopping back-door selling
Purchasing professionals have been plagued by vendors' end-run tactics since there were purchasing departments—here are some ways to deal with those selling strategies.

48 The foreign exchange: methods of payment
There are five methods of paying for goods bought from overseas vendors. A buyer well-acquainted with foreign trade discusses them, offering information on which would suit your operation best.

52 A day in the life of...
Columnist Garry Hersman offers a tongue-in-cheek look at a typical purchasing person's day—with a lesson in what to watch for and how to manage along the way.

54 U.S. needs a national transportation policy
According to DOT Secretary Samuel Skinner, the U.S. is about to enter a new era unprepared for its challenges—and a national transportation policy would help pave the way.

Robotics firms combine strengths

Hobart Brothers (Troy, OH producer of robotic arc welding systems) and Yaskawa Electric (Japanese industrial robot maker) have combined their product, engineering and marketing strengths to form a one-stop shop for what the company calls "high-reliability automation." The new company, Motoman Inc., Troy, will integrate factory automation, robotics and vision systems to simplify planning and installation of such systems in building new plants or updating older ones. Included in the new company is Multicon division, formerly a Cincinnatti systems integrator, which has engineered more than 220 automation systems ranging from medical to paper product industries. *Motoman, 400 Trade Square East, Troy, OH 45373* **Circle 280**

Transportation exec diary, guide

This transportation guide features industry statistics, a calendar of events, stock market performance, key association addresses, and government agencies as well as a daily planner. *International Thomson Transport Press, 424 West 33rd St., New York, NY 10001* **Circle 281**

FedEx puts tiger in its tank

With its August acquisition of Flying Tigers, Federal Express became the world's largest full-service all-cargo airline, with 19 Boeing 747s, 114 727s and 30 other jumbo jets. The system links markets in Europe, the Far East, Australia, New Zealand and Latin America with North America. Along with the merger, the company introduced its domestic Heavyweight service, designed for delivery of "virtually any size shipment" by the second business day morning. Merger of the two companies brings the total number of employees to 80,000 worldwide. *Federal Express, Memphis, TN* **Circle 282**

3M Telcomm named supplier of the year

In honoring suppliers who meet product and service specs, provide defect-free quality products, have excellent on-time delivery records, and issue invoices in accordance with contract terms, Ameritech Services has recognized 3M Telcomm (Austin, TX) as supplier of the year for 1988. The 3M division manufacturers terminating and connecting systems for the telecommunications industry. According to William Yablecki, executive director of purchasing and material management at Ameritech, "In 3M, 'providing service' is ingrained in their culture." *Ameritech Services, 1900 E. Golf Rd., Schaumburg, IL 60173* **Circle 283**

Study outlines gas cooling options

A new study by the American Gas Association shows that natural gas engine driven chillers are an "economic and attractive" space cooling option in many commercial building applications. The A.G.A. study says that gas space-cooling technologies can compete with electricity in many applications. Copies of the study are available from *A.G.A. Public Information, 1515 Wilson Blvd., Arlington, VA 22209 or call (703) 841-8661.* **Circle 286**

Industrial workstations—how big?

A 200-page study of industrial workstations reviews hardware and software requirements of XT/AT personal computers configured for process control or factory automation, identifying major participants in this fast-growing market as well as user markets and trends. According to the report, the market has quadrupled in the past five years and will reach a billion dollars in hardware sales in five years, with software adding as much as 50% to this figure. The report, NC-103, is available from *Newmedia Communications, P.O. Box 1667, Riverside, CA 92502.* **Circle 287**

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by Robert S. Reichard, executive editor

Prices: more downs than ups

The moderating price trend, first noted a few months ago, is still going strong. Especially encouraging: both purchasing managers and Uncle Sam have actually reported more declines than advances over the quarter just ended. The reasons aren't too hard to find: demand, while still in the plus column, can hardly be characterized as robust. For the year as a whole, only a 2.5% advance in industrial output is seen—less than half the 5.7% jump of 1988.

On the other side of the market equation, supply is also pointing toward more price restraint. And it's not all due to today's more sluggish demand advances. A good part can be traced to higher capital spending totals which, in turn, are translating into new capacity increases. In any case, operating rates, while still relatively high, are off a full percentage point from peaks earlier this year. And if you zero in on some raw material areas such as steel, the utilization rate fall-off has been a lot more precipitous than suggested by the overall average.

Other positive (price-restraining) factors would have to include 1) increasing buyer resistance to new price-boosting attempts, 2) continuing implementation of cost reduction measures—even by firms with healthy profit margins and 3) a stabilized dollar which is helping to keep import prices in line after the increases of the past 12-18 months.

The big question, of course, is where we go from here. As of now, the picture can perhaps best be characterized as cautiously optimistic. On the plus side is the fact that the forces just noted are expected to prevail through the remainder of the year and probably into early 1990.

On the other hand, it would be unrealistic to expect the stable-to-fractionally lower industrial price pattern of recent months to continue indefinitely—if only because wage costs are still in a moderately rising trend. Year-to-date figures here, for example, suggest that unit labor costs in the private non-farm economy will be up about 4% this year.

While hardly anything to panic about, it does represent an uptick from last year's 2.7% rate. More important, labor costs have traditionally called the price tune over the longer pull. And with good reason—since roughly two-thirds of every GNP dollar can ultimately be traced back to somebody's or some industry's labor outlay.

Some economists dub this labor cost increase as the core or underlying rate of inflation. And it's no coincidence that consumer prices (ex the volatile food and energy sectors) are now also rising at around this same 4% rate.

Using this core rate as a guideline, most forecasters see consumer price averages remaining somewhere in this range for 1990. The major econometric models are of the same mind, pegging next year's cost-of-living increase at 3.9% (Wharton) and 4.4% (DRI), respectively.

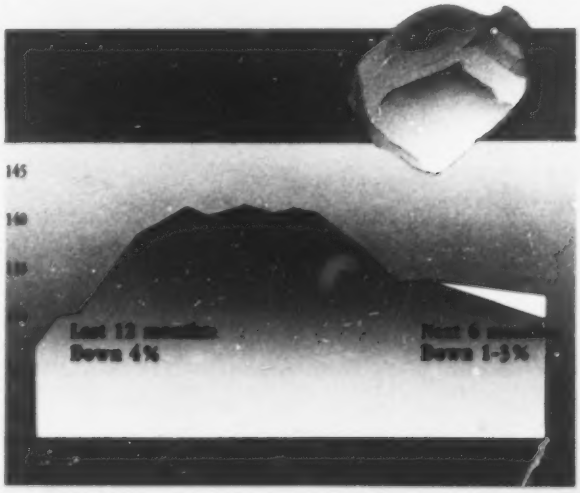
The latest Data Resources Institute industrial price breakdown (prepared especially for *PurchasingWorld* readers) tells much the same story—with modest increases projected for the majority of raw materials, semifabricated items and finished goods.

Most businessmen, however, say they can live with these increases. By and large, they have given up on the 1-2% annual rates of rise of the 1950s and 1960s—and now regard 4% inflation as the price they have to pay for continued economic growth.

Nor is this rate of inflation limited to the U.S. Price boosts in most other industrial countries are expected to be of the same magnitude—with one projection by the Bank of America putting the average boost for six key nations at 4.4% this year and 3.7% in 1990.

In resins, buyers make the calls

CURRENT SITUATION: Buyers are calling most of the signals again. Low-density polyethylene, for example, fell 5-7¢/lb. in late summer—bringing liner grade down to 37-39¢/lb. Also falling in recent weeks: high-density polyethylene (down 2-4¢/lb. for liner grade), polypropylene (down as much as 2¢/lb. for homopolymer grade), polystyrene (down 4¢/lb. for general purpose resin), PVC (down 3¢/lb. for pipe grade), and ABS (also down 3¢/lb. for pipe grade). **Behind the easiness: a leveling off in purchases plus a vastly improved supply situation.**



DEMAND: This year's overall gains are likely to fall far short of 1988 advances—with year-to-date figures suggesting a 1-2% increase (*versus* 11.6% in 1987 and a 1988 advance near 3.4%). Behind the dropoff: slower economic growth and downstream inventory paring. **Best showing should be in LDPE, PP and ABS** where gains as much as 5% are still possible. **On the other hand, HDPE looks to fall about 1%.** Exports, meantime, seem to be holding up better—with year-to-date figures indicating a 7% advance *vis a vis* 1988 levels.

SUPPLY: A big drop in operating rates documents the shift to a buyers' market. As recently as 1987, the industry was operating at 93% of its potential. This year the figure is put at only 85%, based on a combination of decelerating demand gains and big new increases in capacity. On the latter score, **the industry will be adding more than 8% to its potential this year—with bigger-than-average advances scheduled for PP (more than 12%), and PS (about 10%). Nor is that the end of the line. Next year, overall capacity gains are expected to average out near 9.5%**—with HDPE and PVC expected to come in at double-digit levels.

PRICE OUTLOOK: The projected demand/supply trend would seem to point to further softness. So would the current leveling off in such feedstocks as ethylene, polypropylene and benzene. But these declines, following the recent big slide (see above), should be relatively modest. **Averages look to be down 1-3% by next spring.** Beyond that, it all depends on the general economy—though even with some demand pickup, prices should remain well under the highs of this past winter and spring.

Demand bouys industrial gases

It's going to cost quite a bit more for liquid and bulk oxygen, nitrogen, argon, and liquid helium as major producers announce a substantial 7.5% price increase. Blame this second increase of the year on good demand—plus pressures stemming from higher production costs and the need for capital expansion funds. New unit prices for large volume users: oxygen—31¢/cscf (hundred standard cubic feet), nitrogen—29¢/cscf, and argon—$2.37/cscf.

Copper market is nervous

Prices continue to back and fill—but at relatively high levels as production stoppages keep the market nervous. Two other bullish factors: 1) demand seems to be holding up quite well for the upcoming fourth quarter and 2) global inventories are very low—the equivalent of only 3.8 weeks of consumption. But with tags far above late spring and early summer lows, there remains the potential for a substantial correction. And long-run, declines seem inevitable as new capacity gradually comes onstream.

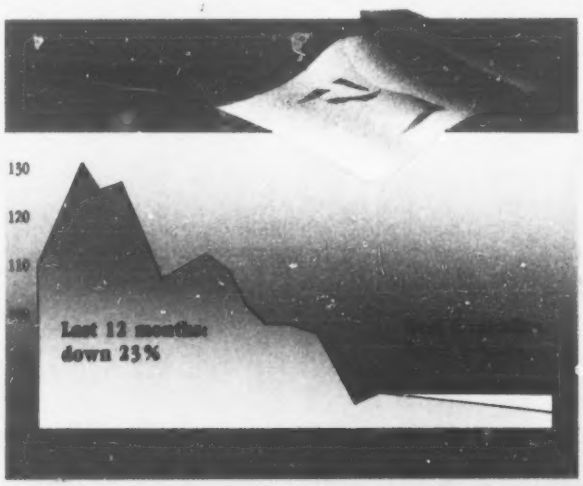
Aluminum demand steady

CURRENT SITUATION: Domestic demand is holding up well, and a somewhat easier supply has helped put some downward pressure on ingot. The bellwether merchant tag has dropped into the low 80s—well under the $1.19/lb. high hit earlier in the year and even further under the $1.52/lb. all-time peak of 1988. Another straw in the wind, the industry recently decided to freeze aluminum can pricing through the balance of the year.

DEMAND: Look for 1989 shipments to rise only fractionally (maybe 1% or so) over last year's 8.18 million tons (including exports). Behind the leveling off: a combination of slower growth in consumer-related sectors, less ebullient capital investment, and a slackening off in exports. On a more bullish note, the industry expects no major defection of canmakers to steel. True, aluminum costs a bit more. But the convenient recyclability of the light metal outweighs the cost differential.

SUPPLY: Things are easing up after late 1988-early 1989 tightness. The fact that foreign producers are stepping up output at a time when demand gains are easing also suggests improved availability and maybe even some modest inventory buildup. So does the continuing rise in the supply of recycled metal. **For the long pull, plans for new and expanded smelters should keep production potential above demand.**

PRICE OUTLOOK: Continuing softness—given the likelihood of ongoing supply/demand improvement—seems inevitable. Ingot, for example, could be flirting with the 75¢/lb. barrier before too long. Any near-term decline in fabricated products, however, is likely to be limited—though some discounting is possible by year-end. The outlook beyond early 1990 will, of course, depend on the general business trend. Assume only modest long-term gains, however, and prices look to remain steady to slightly lower, **with little chance of ingot returning to the $1/lb. and higher levels of a few months back.**



Energy tags should level

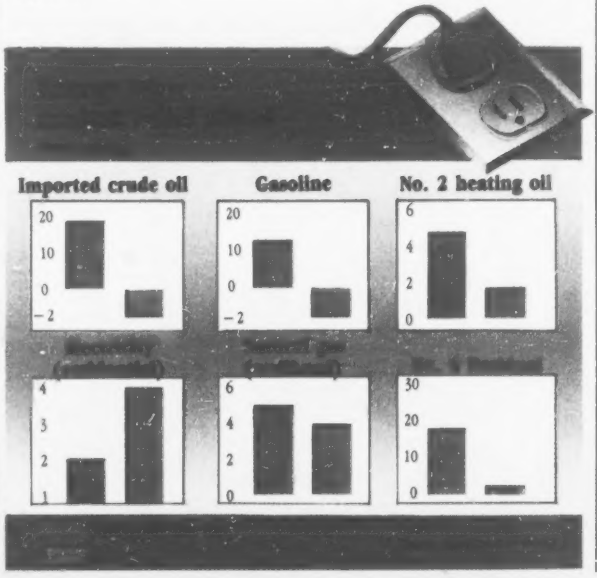
Relatively stable crude oil prices suggest a leveling off in energy prices over the next year or so.

New Department of Energy projections, for example, point to decelerating price increases and even a few small declines for overall 1990 (see chart). The only exception: a slightly faster rate of increase for electricity.

Another factor behind the modest respite: reduced demand pressures. This year the overall gain in energy consumption is put at only 1% (*versus* 4.3% in 1989). And next year's increase won't be all that much greater (1.9%).

A more detailed product-by-product price outlook (assuming that imported crude remains near $17/barrel) follows:

- **Gasoline:** The trend will be down. Pump tags could sink to near $1/gallon again by winter. And the subsequent seasonal pickup next summer will be modest—with averages at that time lagging 2% under 3Q 1989 levels.
- **No. 2 heating oil:** this winter's seasonal advance could bring retail averages up to 85-89¢/gallon **(versus 82¢/gallon in the current quarter).**
- **No. 6 resid:** seasonal pressures should bring the average retail price up to $17.36/barrel by early 1990—about 6.5% above current 3Q readings. But they'll fall even faster after that—with next summer's averages running fractionally under current levels.
- **Natural gas:** the trend will be moderately up through the forecast period—with residential quotes hitting $6.91/thousand cubic feet by next summer (up about 4% from recent readings).
- **Electricity:** a 4% increase is seen for 1990 (compared to 2% this year). Behind the runup: somewhat higher capital costs which should more than offset increased availability of lower cost hydroelectric power in some regions.



AT&T awaits dumping ruling

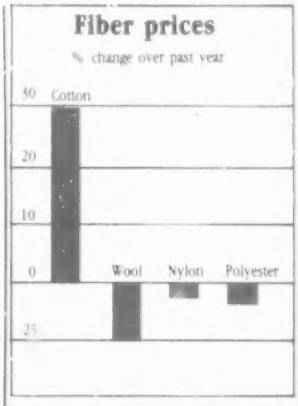
Budget for advances of up to 10-15% in PBXs and key systems—if, as expected, AT&T wins its pending dumping case against several small manufacturers of small business telephone equipment. Point to keep in mind: A number of Japanese, Korean, and Taiwanese firms are charged with selling the equipment in their own countries at prices up to 179% higher than the same equipment offered here. On a more optimistic note: cellular phones continue to come down, as models that sold for $2,000 a few years back now move for only $200.

Lasers push dot matrix

Laser models which have spawned the desktop publishing industry are heading for new price declines. One new model, just introduced, will go (after street discounts) for under $1,000—off 33% from tags of other recent models. Such low quotes could well expedite the shift away from dot matrix models that currently dominate the market.

Fiber tags are mixed

Prices are mixed—mostly up. On the bullish side are 1) cotton, where a snugger supply has pushed up prices into the upper 60s range (some 15¢/lb. above a year ago) and 2) manmades where recent increases have



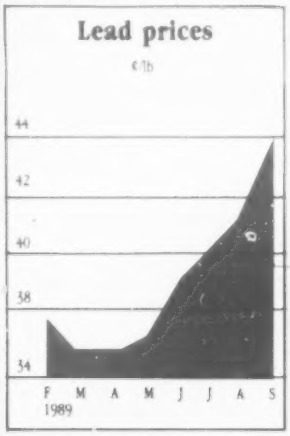
been posted on polyester, rayon, nylon, and acrylics. And a further increase in polyester is seen by early 1990. Wool is about the only fabric bucking the uptrend—as prices fall as much as 20-30% under mid-1988 unsustainable highs. This, in turn, has made for a drop in wool consumption. Another downward-tugging factor: increasing wool production as Australian output rises 2% over the past year, with another 7% gain anticipated over the new year.

Price cuts to move PCs

Price declines ranging upwards of 10% in some cases have been announced—in large part to prepare the way for introduction of new more powerful models. And in another move, Hewlett-Packard has unveiled a less-than $4,000 workstation—a move that is expected to set off a new round of price cutting in this sector. Elsewhere in the computer area, a new pocket sized model (from Poqet) has hit the market—one that can fit easily into a jacket pocket. Cost: $1,995.

Lead prices riding high

The heavy metal is riding high. Several hikes have brought tags up into the mid-40s range—close to 10¢/lb. above early spring lows. Behind the runup: the beginning of the battery-buying season, minor production interruptions, and relatively tight supplies. Indeed, given current market conditions, a further price rise, perhaps into the upper 40s seems like a good bet by sometime this fall—with prices after that depending on how winter temperatures affect battery demand.



Alloys range downward

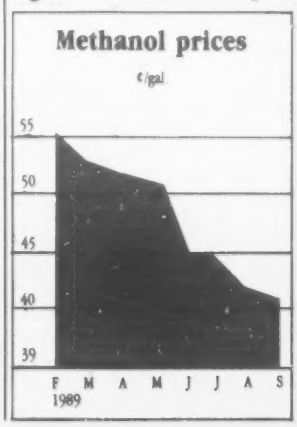
Spot prices on chrome, silicon, and manganese alloys have dropped—with some tags down more than 20% since late spring. Example: recent ferrochrome quotes (60-70% chromium) are down in the 60-63¢/lb. of chromium range (*versus* near 80¢/lb. as recently as May). Ferrosilicone declines are equally impressive—with the 75% grade quoted at only 40¢/lb (*versus* 60¢/lb. earlier this year). Declines in ferromanganese have been less precipitous—from the previous $650/ton peak to $600-620/ton recently.

Tantalum faces slide

Ore prices are sliding—with material moving at only $32-35/lb. of contained oxide—a sharp drop from the $50/lb. peak of last year. And further near-term declines to near $30/lb. seem inevitable. One reason: poor demand.

Capacity pushes methanol tags

Contract tags have slipped into the low 40s range—with some discounted material moving for as low as 36¢/lb. And spot sales are even lower. It's all a far cry from the 60¢/lb. (contract) and 80¢/lb. (spot) peaks prevailing at the end of last year. Behind the big slide: a combination of restarts and new capacity—enough to shift the near 281,000 metric ton global deficit of two years ago to an estimated surplus.



Semiconductors slow, electronics take breather

The nation's electronic components market seems to be heading for a breather. But the declines (in both demand and price) will be slight—nothing like the 1985 plunge.

So say analysts at the Electronics Outlook Corporation. The San Francisco, CA-based research outfit feels the slowdown will be most dramatic in semiconductors—an area which has enjoyed exceedingly good growth rates over the last two years. Domestic OEM purchases in current dollars in 1988, for example, were 29.5% higher than the equivalent buys of 1987.

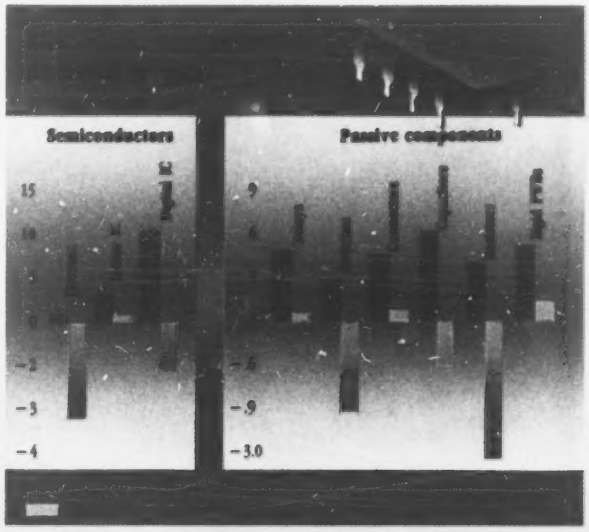
But as a result of a recent slowdown, overall 1989 results are expected to drop below the double-digit range. Best bet at this time: about a 9.5% advance. And even this will look good when compared to next year when 2% is expected.

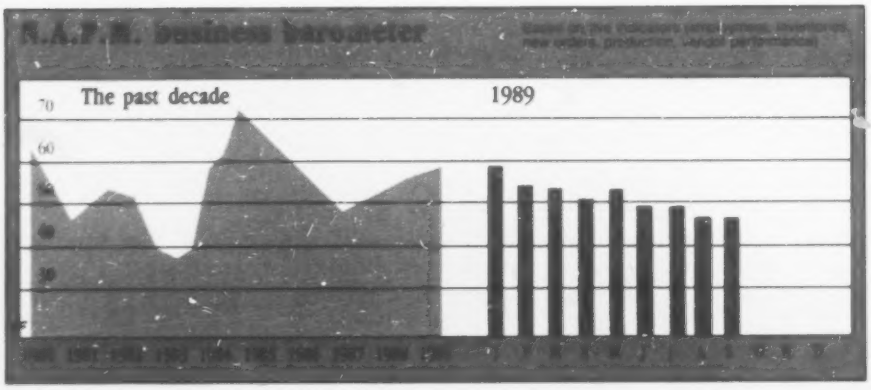
Price as well as physical demand should be sparking this changing semiconductor dollar pattern—with two factors expected to put downward pressure on tags. For one, the initial burst of the 286- and 386-based PC demand has been satisfied.

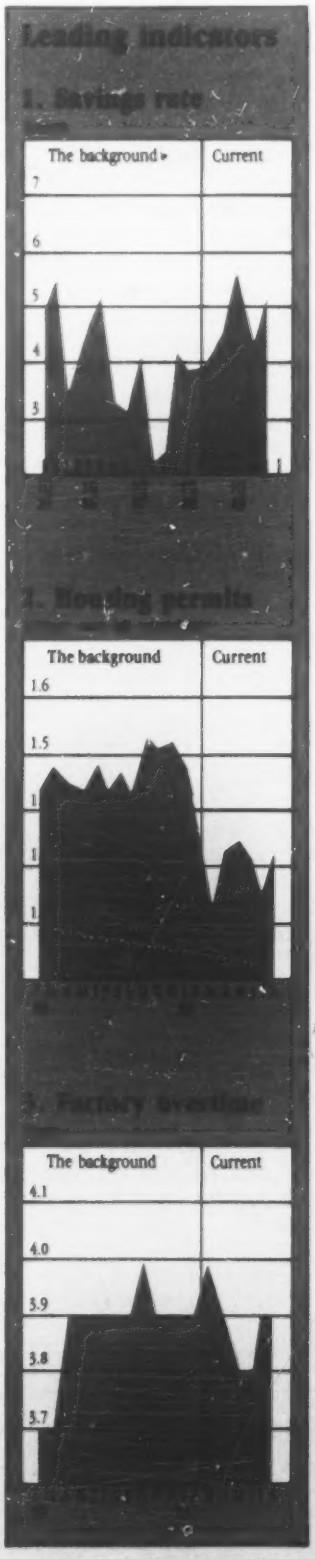
Secondly, supplies of DRAMS and other high-priced, short-supply ICs are being ramped up aggressively to the point where supply will exceed demand again in the near future. Upshot: prices generally can be expected to soften in the months ahead.

A breakdown of current dollar semiconductor expectations is shown in the accompanying chart. Only linear ICs are expected to maintain positive growth in 1990, and here the gain will be a weak 1.3%.

Looking further ahead—while semiconductor growth turns negative in 1990, passives will still manage a fractional 0.6% advance—with rigid PWs and connectors making the best showings.







KEY ECONOMIC TRENDS

No downturn in 1990

Fears of a late 1989-early 1990 downturn are beginning to fade.

True, few are expecting any big spurt. But, by and large, consumer and business spending is holding up tolerably well—enough to keep industrial production and real GNP in the plus column through the next few quarters.

On the consumer front, personal expenditures adjusted for inflation are still in rising trend—belying reports of a consumer pullback. This is even true in autos where sales of domestic models (with the help of large rebates) have again jumped above the eight million seasonally adjusted rate—making for the strongest showing in nearly a year.

Viewed from another perspective, the average family continues to save only a relatively small fraction of its income. Latest reports here suggest a 5.5% rate for the just-ended third quarter (see chart). While above recent levels, it is still under the 6%-plus average of the past 25 years.

Factors that are probably keeping family spending up: a drop in oil prices, fractional declines in interest rates, the higher stock and bond markets of recent months, and fairly strong consumer confidence.

On the latter score, a new Conference Board survey finds that 4.1% of its respondents plan to buy a new car over the next six months—above the 3.6% rate of early summer. And while appliance-buying intentions are down, the slippage is small given the recent drop-off in new housing activity.

This housing softness, meantime, seems to be showing signs of bottoming out. Thus permits, a lead indicator of future starts, turned up over the past month (see chart)—probably reflecting a slight dip in mortgage rates.

Also encouraging in the construction area—new contracts have turned up after several months of decline. This is prompting George Christie, VP of Dodge (the compiler of these numbers) to observe that construction could be a source of support to the economy in the months ahead.

Exports also look to remain a near-term prop. As Bob Bretz, chairman of the NAPM Business Survey committee puts it, there is continuing strength in export orders despite the recent strengthening of the dollar. If nothing else, this should help keep the manufacturing sector of the economy on an even keel.

Finally, there's the still-strong capital spending pattern. A new government survey points to a 7.7% real increase here for the current year—actually one percentage point more than envisioned a few months ago when a similar survey was taken.

Three factors are suggested for the still-buoyant capital investment outlook: 1) Diminished fears of a recession, 2) the need to improve efficiency in increasingly competitive world markets, and 3) the need to install new environmental controls.

All the above is reflected in what most economists describe as a still-strong employment picture. The jobless rate, for example, remains at just above 5%—and overtime (a barometer of labor demand) has been holding up surprisingly well.

Moreover, the near-term

outlook isn't all that bad. Thus a new survey by Manpower Inc; suggests even more job openings for the fourth quarter—with the 26% contemplating the addition of new workers far outweighing the 9% who plan to cut.

All this is not to say that there aren't problems. For one, inventories have tended to inch up over the past few months. And it's questionable whether the current strength in exports and car sales will hold up much longer.

Even so, odds favor continued (albeit modest) economic gains into 1990. Best bet for real GNP: advances of 1.5%-2% through this 6-month period.

R & D spending still lags

U. S. industry may be talking about increasing its overall competitiveness. But precious little is being done about it—at least on the research and development front.

The evidence: a new DRI/McGraw-Hill survey which suggests that outlays in this crucial area will increase by less than 1% in real terms this year—compared to 3.7% in 1987 and 1.3% last year (see chart).

The slowdown is also highlighted by the fact that average annual real gains over the 10-year period ending in 1985 came to a much larger 6.6%. And viewed from still another perspective, 1989 marks the third time in four years that R & D has expanded more slowly than the overall economy.

But analysts put much of the blame for the slowdown on U.S. industry's obsession with short-term profits rather than long-term opportunities. In light of the rash of mergers, restructurings, and takeovers, businesses have apparently grown more cautious in their spending commitments.

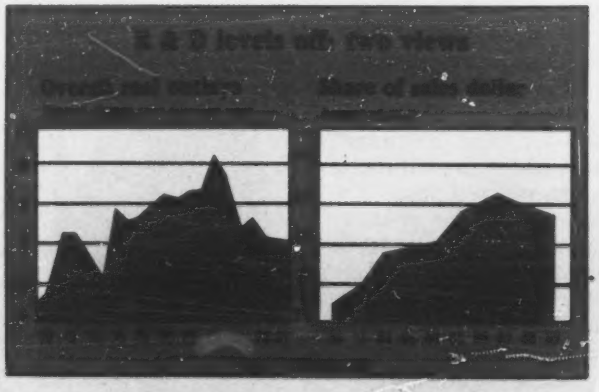
Persistently high real interest rates, adds DRI, have also encouraged strategies geared to short-term goals. Moreover, the slowdown in profit growth expected over the next few years could well exacerbate this reluctance to fund R & D projects. Still another possible factor in the sluggish R & D trend: policy makers have already cut the R & D tax credit and continue to threaten its elimination.

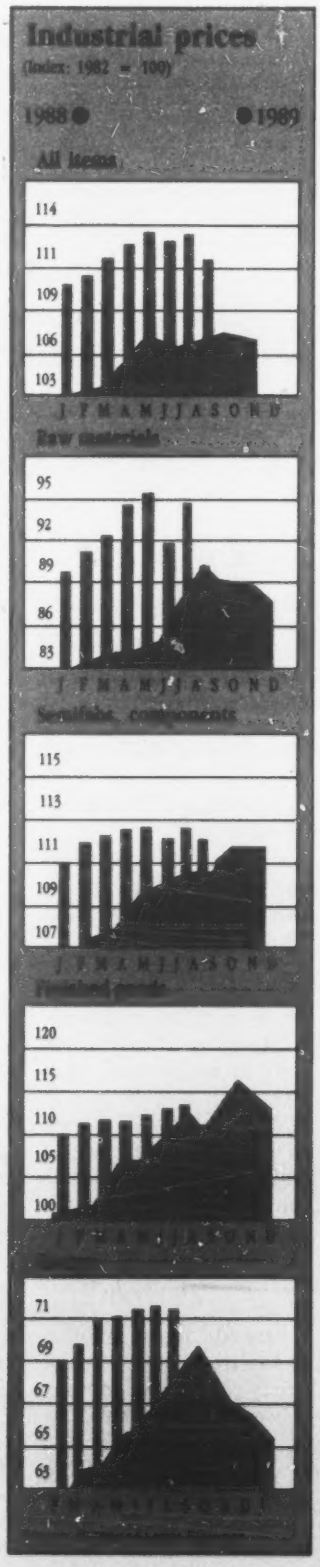
On a somewhat rosier note, the R & D/sales ratio, while slipping, is still relatively high—in the 3.4% range—far above the 2.1% low hit at the end of the last decade.

But all the above averages tend to hide some conflicting trends. In current dollar terms, metal mining firms project a 15.6% rise this year—with above-average boosts also seen for the stone-clay-glass, rubber, and plastic sectors.

Unfortunately these account for a very small slice of the R & D pie. Thus the biggest spenders (aerospace and electrical equipment) are boosting current dollar spending only 6.1% and 3.1% respectively. Outlays for chemicals, cars, and non-electrical machinery aren't all that robust, either.

DRI estimates that a permanent 1% reduction in the growth rate of real R & D eventually leads to a 0.85% cut in the economy's potential growth rate.





CURRENT PRICES

A good month against inflation

Chalk up another good month in the fight against inflation. Particularly impressive was the third consecutive decline in Uncle Sam's industrial producer price index. And all indications suggest a continuation of this trend into early fall.

The major downward push this past month came from the fuel and energy sector which dropped an eye-opening 4.6%. But energy had plenty of company this time around—as sizeable drops were also recorded in organic chemicals, plastic resins, and fin-

ished steel products.

Looking at these and other key product lines in somewhat more detail:

● **Energy:** Gasoline (off 11%) led the decline here. But considerable softness was also noted in home heating oil, natural gas, residual fuel, and crude oil. Only coal managed to buck the slide.

● **Plastics:** Virtually every major commodity resin fell last month. Result: a hefty 3.8% overall drop—enough to bring averages well under year ago levels.

● **Chemicals:** Organic types—led by ethylene, styrene and propylene were off about 1%. To be sure, overall industrial chemicals held steady as alkalis and industrial gases rose. But the prognosis is for more overall easiness as supplies begin to mount.

● **Metals:** The 0.5% drop in steel mill products is probably underestimated—as the government index often fails to pick up price shading. Aluminum and ferroalloys were also weak. But copper, hit with global supply interruptions, managed a sizeable advance.

● **Capital equipment:** Rises predominated here as the plant and equipment boom fed demand. The overall boost, however, remained modest—0.3% for the month or 3.6% at annual rate. Increases were noted for oil and gas machinery, metal forming tools, textile machinery, pumps and compressors, and industrial material handling equipment.

Other areas where increases were reported include fasteners, commercial furniture, and textile mill products—all up about 0.5% over the month.

PROCUREMENT STATUS REPORT

Leadtimes stay level

More good news on the procurement front. Not even the start of the seasonal fall pickup has had much of an effect on what can now only be described as a relatively easy market.

Leadtimes, for example, which normally rise at this time of year, remain relatively unchanged at recent summer levels. Confirmation here comes from *PurchasingWorld's* latest leadtime index reading. At 50, it signifies that any stretchouts that are occurring have been pretty much balanced out by reduced waits in other areas.

There has also been a speed-up in vendor deliveries. NAPM's speed of delivery index reads only around 45 (anything below the neutral 50 mark means that there have been more speedups than slowdowns).

The fact that inventories are still declining—despite a level-to-slightly-higher rate of production activity—also has to be taken as a sign of confidence that buyers can get what they want when they want it. In any event, the NAPM accumulation index is down near 43—eight significant points under the neutral 50 mark.

Then, too, forward ordering has come in. At latest report some 55% of queried PMs were committing 30 days or less in advance—up three percentage points from a month earlier. And conversely, those ordering 90 days or more in advance continue to decline.

Study highlights fleet car use

Who gets a company fleet car and who doesn't? What are the ground rules? And how much should you get for using your own car on company business?

A recent National Association of Fleet Administrators (NAFA) survey provides the answers to these and other questions involving the interface of personal driving and corporate fringes. Some of the study's key findings—based on responses from 610 U.S. and Canadian fleets:

● Qualifying for a company car: some 49% say job title is the chief determinant in the company decision. Second and third most important factors: business mileage (24%) and fringe benefit (15%).

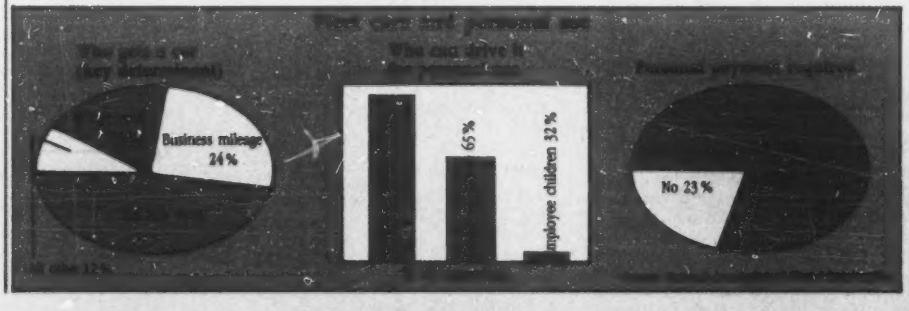
● Personal use of company car: this is allowed by 88% of queried fleets—with 65% also allowing use by an employee's spouse. The figure for a licensed child drops to 32%.

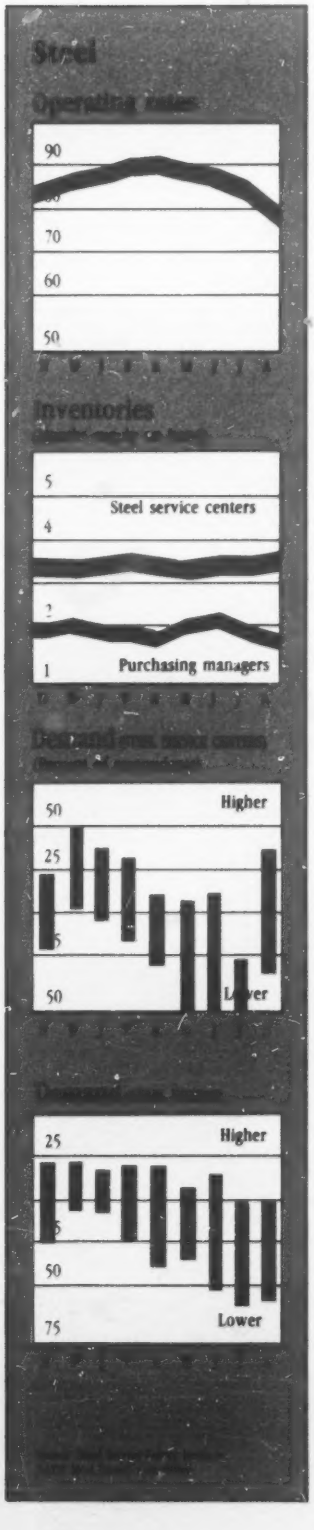
● Payment for personal use of company car: charges are levied by 77% of the fleets. Nearly one out of three fleets which levy such charges do it on a cents-per-mile basis with the average U.S. charge put at 16.8¢/mile.

● Use of private car for business: average U.S. firm reimbursement for those using a cents/mile basis (by far the most popular approach) is 22.5¢/mile. Others use a graduated scale based on number of miles driven.

● Accident policy: at least partial reimbursement of repair bills is required by nearly 60% of U.S. fleets when someone other than the employee was driving a company vehicle. But the figure drops to 24% when the employee was behind the wheel.

Finally, there is always the chance of an IRS audit; the survey finds that 10% of the fleets have experienced an audit of their personal use records.





All the above doesn't mean that procurement problems have disappeared. Some 12 items are still listed as being in short supply by the NAPM—including such crucial components as bearings and motors.

But most PMs are confident that even this short list of tight items will shrink. The component parts listed, for example, should become a bit easier to find as demand levels off and capacity increases. And the same is true of some of the paper and chemical items on the short-supply list—areas where vendors have announced substantial capital expansion plans in recent months.

STEEL SCENE

Steel outlook improving

The steel demand outlook, while hardly buoyant, may not be as bleak as it seemed a few months ago.

Especially encouraging: the somewhat more optimistic nearterm expectations of distributors. The latest Steel Service Center Institute (SSCI) survey tells the story. For the first time since April, more distributors anticipate increases than decreases. The difference between the two groups is small, but it's a significant change from just one month earlier when those reconciled to order decreases outnumbered those hopeful of gains by a better than 2:1 margin.

Steel buyers, responding to an NAPM survey, aren't quite that optimistic. Nevertheless, the number anticipating decreasing receipts of metal over the next 90 days has dropped somewhat—from 65% a month ago to 57% currently.

Despite the modest improvement, the overall demand picture still has to be characterized as lackluster. In part, this may be due to the "inventory" factor—for stocks are still relatively high on the service center front.

Taking off on this, SSCI president Andrew G. Sharkey notes "Inventories have climbed every month this year and are now at their second highest level ever." As such, he anticipates that "members will work on getting inventory levels in line with the predicted slowing in average daily shipping rates through the next two quarters."

SSCI members seem to agree. Nearly three out of four queried say that their stocks are excessive—reaching the highest level in years except for one month in 1988. Implication: a major drive to bring them down over upcoming months.

Buyers, too, seem determined to bring stocks down. Specifically, 39% consider their holdings as too high (*versus* only 4% as too low)—with two out of three now contemplating lower levels over the next six months.

The potential inventory decline is also backed up by a new Wharton Econometric steel forecast which suggests that steel users will pare two million tons from their holdings over the next half year. That's in sharp contrast to the near flat stocking pattern of the past nine months.

One factor behind this "keep 'em lean" trend—aside from expectations of a so-so consumption pattern—could be reduced leadtimes and a generally improving supply outlook.

On the availability score, for example, more than nine out of ten steel buyers (92% to be exact) see no shortages ahead for the next six months. That's a lot different than a year ago when two out of three were concerned about at least one steel product line.

Prices could be still another factor behind the go-slow stocking pattern. Some 32% of queried service centers, for example, feel prices will be lower over the next six months—four times as many as the small 8% who anticipate higher steel tags.

Some price breaks are also reported on imports. This is especially true in the stainless steel sphere where 8% of surveyed service centers say they're saving 11-20% on imported metal. And about one out of five say they are buying cheaper carbon steel—though the savings in this case are in the somewhat smaller 6-10% range.

Also worth noting: increased overseas selling activity is reported by both service centers and steel

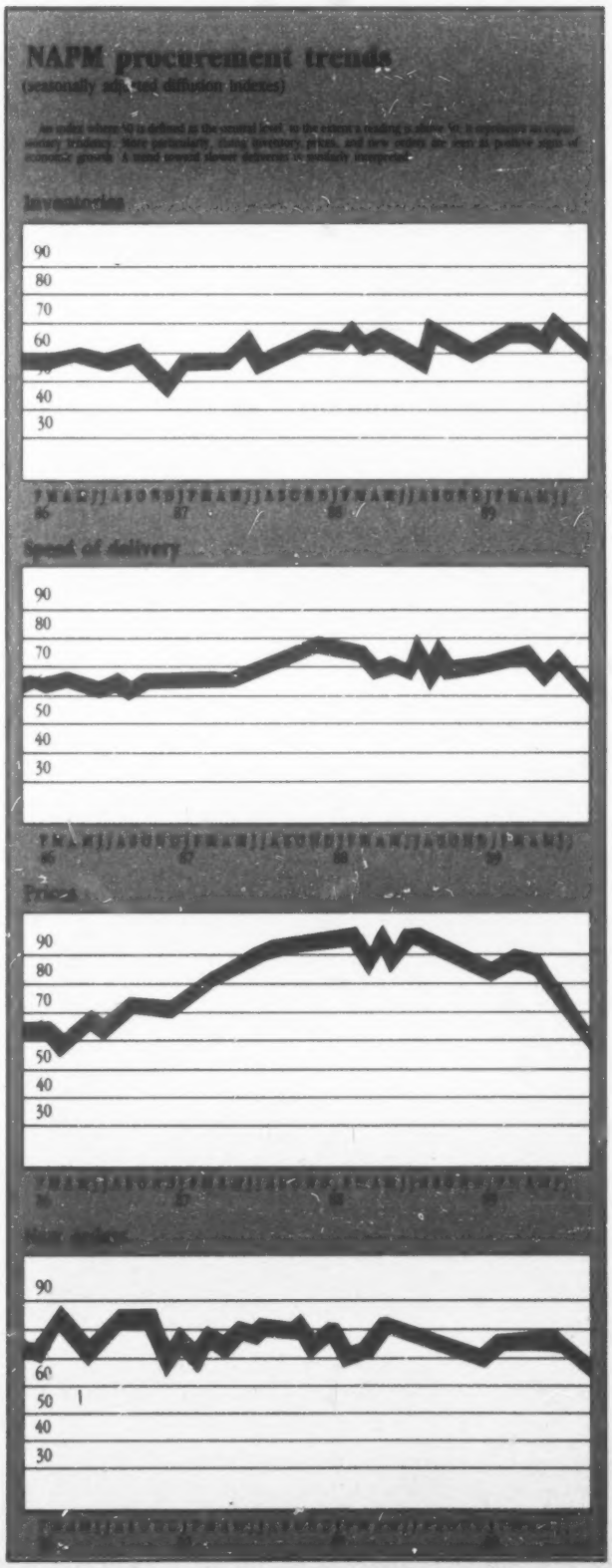
Import prices
(compared to domestic)

Steel Buyers
ABOVE 52%
SAME 35%
SLIGHTLY BELOW 13%
SUBSTANTIALLY BELOW 0%

SERVICE CENTERS (carbon)
ABOVE 0%
SAME 82%
5-10% BELOW 18%
10-20% BELOW 0%
OVER 20% BELOW 0%

buyers over the past few months. This, in turn, points to a pickup in steel imports—from about 17.5 million tons this year to something around 19 million in 1990.

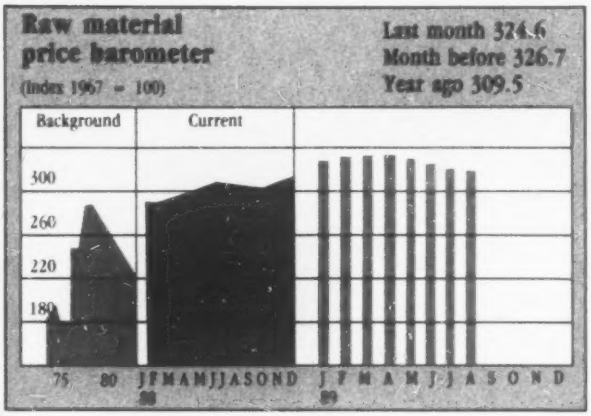
Combine this additional import competition with improved availability and expectations of softer prices—and it all points to a continuing buyers' market in steel—through the remainder of the year and probably well into 1990.



This month's breakdown

Index: 1982 = 100

	Latest level (August)	% change from: Month ago	Year ago
Bearings	124.5	0	8.6
Bolts, nuts, etc	112.5	0.5	5.4
Chemicals, inorganic	111.2	2.8	9.7
Chemicals, organic	114.6	−1.0	2.7
Concrete products	111.2	0	1.0
Corrugated cartons	112.6	0	1.3
Cutting tools, small	111.9	1.0	4.3
Electric lamps (bulbs)	125.0	0.2	0.7
Electronic components	119.6	0.2	1.3
Fans and blowers	119.5	1.4	5.5
Foundry and forge products	115.1	0.2	4.5
Fuel oil (residual)	48.5	−1.8	22.5
Furniture, commercial	129.8	0.5	3.7
Gasoline	63.0	−11.0	1.3
Glass, flat	110.1	−0.2	−0.1
Glass containers	116.4	0	3.5
Gypsum products	108.0	−4.0	0
Hand tools	128.0	−0.1	5.7
Hand tools, power driven	117.0	−0.1	4.7
Industrial furnaces	125.2	0.1	3.3
Integrating and measuring instruments	120.3	−0.1	5.1
Internal combustion engines	115.4	0.4	3.1
Lubricating oil	111.7	0.6	5.0
Lumber millwork	128.1	0.2	4.6
Material handling equipment	112.4	0.3	4.1
Metal containers	110.9	−0.1	0
Metal mill shapes (nonferrous)	136.0	−0.2	3.7
Metal tanks	114.0	0	4.6
Motors and generators	129.6	−0.1	5.7
Motor trucks	116.4	0	3.5
Office and store equipment	109.8	0	2.1
Paperboard	140.3	0.1	4.3
Paper boxes and shipping containers	130.6	0.2	4.7
Paper office supplies	122.3	0.1	5.5
Paint	120.5	0.2	6.3
Plastic resins	132.0	−3.8	−3.6
Precision measuring tools	125.3	0	3.2
Pumps and compressors	115.8	0.3	5.7
Refractories	119.9	−0.1	5.4
Rubber belts and belting	114.3	0.5	6.4
Scales and balances	106.5	0.1	0.7
Steel products	114.1	−0.5	2.0
Switchgear	119.2	−0.1	4.9
Textiles, synthetic fibers	107.2	0.1	9.4
Textiles, gray fabrics	115.7	0.2	0.5
Tires and tubes	97.3	0.1	2.5
Transformers and power regulators	118.5	0.3	7.6
Welding equipment	122.5	0	3.5
Wire and cable	142.9	1.7	13.3



Latest spot market prices

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	367.00	367.00	367.00
Steel, structural shapes, Pitts., cwt.	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt.	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt	23.90	23.90	23.90
Steel, bars, dlvd. Phila., cwt., merchant quality	18.70	18.70	16.50
Steel, bars, Pitts., cwt.	18.70	18.70	16.50
Steel, bars, C.R., Pitts., cwt	23.95	25.20	19.45
Steel, plates, Pitts., cwt.	23.25	23.25	22.75
Steel, plates, H.R., Pitts., cwt.	23.25	23.25	22.75
Steel, sheets, C.R., Detroit, cwt.	29.65	29.65	28.15
Steel, strip, C.R., Chi., cwt.	36.18	36.18	36.18
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65
NONFERROUS METALS			
Aluminum, ingot, lb. (market place)	.810	.820	1.260
Antimony, N.Y., dealer, lb.	.90	.95	1.05
Beryllium-copper, cost ingot, lb.	5.90	5.90	5.90
Brass, red, 85%, [sheet], lb.	1.97	1.81	1.71
Brass, yellow, [sheet], lb.	1.93	1.77	1.66
Cadmium, N.Y., dealer, lb.	4.60	4.60	7.20
Copper, electrolytic, wire bars, refd., lb.	1.34	1.18	1.07
Copper sheet, over 24 in., lb.	2.06	1.90	1.79
Lead, common, N.Y., lb.	.44	.42	.38
Magnesium, pig ingot, [99.8%], lb.	1.63	1.63	1.58
Mercury, 20 fl. lots, N.Y., fl.	262.00	270.00	360.00
Molybdenum, oxide, dealer, lb.	3.26	3.32	3.48
Nickel, cathode, dealer, lb.	5.20	5.85	6.00
Platinum, dealer, oz.	474.00	494.00	528.00
Silver, N.Y., oz.	5.10	5.20	6.54
Tin, N.Y., dealer, lb.	3.97	4.38	3.49
Zinc, Prime West, East St. Louis, lb.	.80	.82	.69
Zinc, die casting alloy, No. 3, lb.	.895	.930	.775
PAPER			
Uncoated book #3 offset, ton	1020.00	1020.00	1020.00
Watermarked bond, ton	1090.00	1090.00	1080.00
Gummed sealing tape, carton	18.71	18.75	17.78
Grocery sacks, ton	495.00	495.00	460.00
Solid bleached paperboard, ton	780.00	780.00	685.00
Kraft linerboard, 42 lb., unbleached, ton	410.00	410.00	410.00
TEXTILES			
Burlap, 10 oz., 40", N.Y., yd.	.284	.284	.284
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.22	1.22	1.20
Cotton middling, 1", N.Y., lb.	.688	.703	.505
Printcloth, 48", 80x80, N.Y., spot, yd.	.50	.50	.48
Army duck, 37", 13 oz., yd.	1.40	1.40	1.51
Blended printcloth, 64", 78x54, yd.	.78	.79	.68
20s combed yarns	1.94	1.89	1.96
Wool 64s, Staple, lb.	3.50	3.50	4.50

	Latest price	Previous month	Year ago
CHEMICALS			
Acrylonitrile, tanks, lb	420	400	395
Ammonia, anhydrous, tankcars, Gulf Coast, ton	70.00	70.00	91.00
Benzene, petroleum, tanks, Houston, gal.	98	95	1.08
Caustic soda, 76% solid, drums, carlots, cwt	28.00	28.00	26.00
Cresylic acid [over 25%], tanks, lb	55	55	55
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb	106	106	106
Glycerine, synthetic, tanks, lb	845	845	735
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	42	42	58
Naphthalene, crude, tanks, lb	16	16	22
Phthalic anhydride, tanks, lb	40	40	35
Polyethylene resin, low density liner film grade (market place), lb	390	390	515
Polypropylene, homopolymer grade (market price), lb.	420	430	525
Polystyrene, general purpose grade (market price), lb.	505	545	600
Polyvinyl chloride, pipe grade (market price), lb.	375	390	440
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb	365	425	450
Sulfur, crude, ex-terminal, Tampa, Fla., lt	117.50	130.00	132.00
Sulfuric acid, 66%, commercial, tanks, ton	66.86	66.86	66.86
Titanium dioxide, anatase, reg., carlots lb	1.02	1.02	87
Xylene tanks, gal	.875	875	.910
BUILDING MATERIALS			
Lumber, 2x4 fir, mbf, cl	343.50	342.72	336.00
Lumber 2x2 pine, mbf, cl	339.45	332.64	318.45
Plywood, plyform, ¾", msf, cl	598.00	598.00	576.95
Plywood, ⅜", msf, cl	360.17	360.17	388.35
Cement, bulk, ton, tl	63.34	63.24	65.48
Sand, ton, cl	7.01	7.03	7.47
Ready-mix concrete, 3,000 psi/cu. yd., 15 cu. yd.	47.99	47.89	49.01
Crushed stone, 1½", ton, cl	N.A.	N.A.	N.A.
Concrete blocks, sand/gravel, 8"x8"x16", per hundred	89.04	89.59	N.A.
Reinforcing bars, whse base, per cwt	22.55	22.55	20.94
Asphalt paving AC-20	107.22	107.43	116.70
Vitr. Clay Sewer Pipe, Prem Joint, 12", per ft, cl	N.A.	N.A.	N.A.
Concrete sewer pipe, 24", prem. joint, per foot, cl	17.83	17.83	N.A.
FUELS			
Crude oil (W. Tex Int Cush), bbl.	19.85	18.20	15.40
Diesel (reseller rack, Chi), gal.	.5675	.4975	.4480
Fuel oil No. 2 (N.Y.), gal.	.5475	.4835	.4350
Fuel oil No. 2 (Gulf spot), gal.	.5380	.4840	.4050
Fuel oil No. 6 (N.Y.) contract cargo, bbl.	18.50	18.00	16.00
Gasoline (reg lded NY), gal.	.6100	.5275	.5085
Gasoline (reg unlded NY), gal.	.5950	.5125	.4900
Kerosene (reseller rack, Chi), gal.	.6510	.5785	.4925
Propane (Mt. Belvieu, Tex), gal.	.2160	.2050	.2150
SCRAP MATERIALS			
Steel, No. 1, hvy., dlvd., Pitts., ton	99.00	103.00	117.00
Steel, No. 1 hvy., dlvd., Chi., ton	108.00	108.00	115.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	1.150	1.010	.920
Copper, No. 2, East, wholesale buy, dlvd., lb.	1.060	.925	.830
Brass, red, East, wholesale buy, dlvd., lb.	1.110	.970	.880
Brass, yellow, East, wholesale buy, dlvd., lb.	.615	.575	.470
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	.510	.470	.665
Alum., mixed clip., E., wholesale buy, dlvd., lb.	.570	.540	.750
Zinc, old, East, wholesale buy, dlvd., lb.	.380	.380	.240
Lead, clean solids, East, wholesale buy, dlvd., lb.	.240	.230	.225
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	Nom	Nom.	25.00
Paper, old corrug. box, dlr., N.Y., ton	Nom.	Nom.	5.00
Old newspapers, Chi., ton	Nom.	Nom.	10.00
Old white ledger, Chi., ton	90.00	75.00	85.00

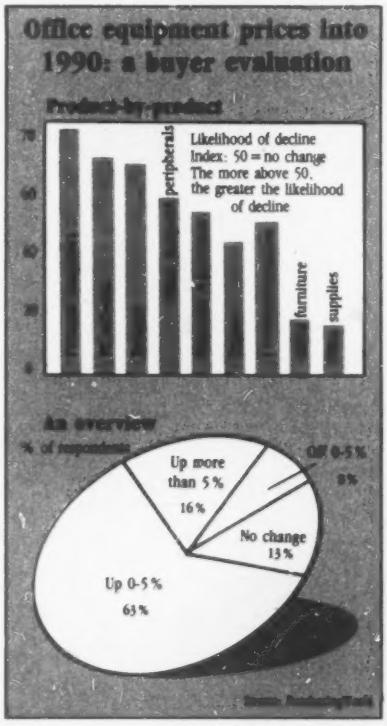
[Sources: Metals Week, American Metal Market, Engineering News-Record (20-city averages), The Wall Street Journal, Journal of Commerce, Chemical Marketing Reporter.]

Buyers' market in office equipment

It's still pretty much of a buyers' market when it comes to office equipment procurement, say the majority of purchasing managers queried in a new nationwide *PurchasingWorld* survey. Some of the study's key findings (see chart):

- **Recent price changes:** the average advance noted by respondents over the past 12 months came near 2.8%—well under the nation's overall industrial inflation rate.
- **Near-term price expectations:** increases over the next 12 months are expected to average out to 2.1%—with one out of four equipment buyers anticipating some deceleration in the rate of advance.
- **Product-by-product price trends:** respondents see more price declines than increases for five of nine surveyed categories—personal computers, PC software, printers, other computer peripherals, and electronic typewriters. Major areas where increases are expected to predominate are office furniture and office supplies.
- **Demand:** purchases have been leveling off a bit. Indeed, some 52% see an edging down this year—*versus* 29% who plan on a level pattern and another 29% who feel totals may rise a bit.
- **Lease *versus* buy:** four out of five buyers say they purchase all their equipment outright. The other 20% (mostly service industries) also rely on leasing. But for the most part those who lease say the percentage of equipment being leased is remaining relatively stable.
- **Buyer role:** the need for compatibility, coordination and buying clout continues to push buyers to the forefront. One out of every three surveyed, for example, say they are now the primary decision maker. Another 50% are an integral part of the team making the ultimate vendor decision. Conversely, a declining few are now relegated to the position of being mere order takers.

The competitiveness of overall markets is confirmed by both the industry (see unit price projections made by CBEMA) and Uncle Sam. On the latter score, the most recent government office equipment price index is running only a modest 2.1% ahead of a year earlier. Add in the somewhat larger increases in office supplies (not included in the Washington tabulation)—and the findings are pretty much in line with those suggested by the new *PW* survey.



Item by item, the softness is probably most apparent in fax machines where new technology and high volume have been permitting double-digit price decreases. It may seem hard to believe, but some low-end machines now move in discount stores for under $500.

Computers, too, continue to offer increasingly attractive bargains, say buyers. Many of these are centered in the lap-top, workstation and minicomputer areas. And hardly a week goes by without some vendor announcing cuts in previously released PC models.

To be sure, both buyers and producers are projecting some modest price rises in copiers. But they are certainly not across the board. Also new developments continue to push the cost of color copiers down—with one new model capable of duplicating 7.5 copies/minute available for $17,000. And for those looking for real bargains, another low-end model can be had for $6,000.

Peripheral equipment, according to one electronic equipment consulting firm (Dataquest) also continues to edge lower—with the average modem quote off 16% this year. Ditto, some communications equipment where the same consulting firm puts the PBX price per installed line at $697—off about 1% from last year.

But despite these favorable price trends, not everything is coming up roses for office equipment buyers. For one, the proliferation of new products is making it increasingly difficult to keep up with and evaluate what's on the market. This, in turn, raises the problem of obsolescence. Other headaches noted: 1) the need to constantly upgrade equipment, 2) finding reliable servicing for all the sophisticated new equipment, and 3) the need to coordinate with all the company's users.

To meet some of these problems, office equipment buyers say they're taking such tacks as earlier involvement in the procurement process, more multiple sourcing, and more contacts with consultants and other professionals in the field.

Not surprising, this has all tended to put the spotlight squarely on purchasing. As noted above, 33% of queried PMs now say they are the key decision maker when it comes to final purchase. That's more than double the figure noted six months earlier when a similar survey question was posed. ***PW***